

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **VILLAGE OF ST. CHARLES**

Saginaw County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2008

# VILLAGE OF ST. CHARLES

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**BERTHIAUME  
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## **INDEPENDENT AUDITORS' REPORT**

To the Village Council  
Village of St. Charles, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of St. Charles as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of St. Charles' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of St. Charles, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedule of pension plan funding progress and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of St. Charles' basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berthiaume & Co.*

May 21, 2008

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# VILLAGE OF ST. CHARLES

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

### Overview of the Financial Statements:

The Village of St. Charles' discussion and analysis is a narrative overview of the Village's financial activities for the fiscal year ended March 31, 2008. The information presented here should be read in conjunction with the financial statements and the notes to the financial statements that follow.

### Government-wide Financial Statements:

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Village's net assets and how they have changed. Net assets – the difference between the Village's assets and liabilities – are one way to measure the Village's financial health.

The government-wide financial statements of the Village are divided into three categories:

**Governmental Activities** – Most of the Village's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

**Business-type Activities** – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are included here.

**Component Units** – The Village includes the Downtown Development Authority and the Local Development Finance Authority in its report.

### Fund Financial Statements:

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting tools that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The Village has three kinds of funds:

**Governmental Funds** – Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

**Proprietary Funds** – Services to which the Village charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

**Fiduciary Funds** – The Village is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the Village cannot use these assets to finance its operations.

# VILLAGE OF ST. CHARLES

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

### Government-Wide Financial Analysis:

The following table shows, in a condensed format, the statement of net assets at March 31, 2008 and 2007:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<b>Assets:</b>						
Current assets	\$ 649,442	\$ 589,812	\$ 708,979	\$ 731,483	\$ 1,358,421	\$ 1,321,295
Noncurrent assets:						
Capital assets	1,218,589	1,203,643	1,663,994	1,771,294	2,882,583	2,974,937
Other assets	-	-	72,508	72,508	72,508	72,508
Total assets	<u>1,868,031</u>	<u>1,793,455</u>	<u>2,445,481</u>	<u>2,575,285</u>	<u>4,313,512</u>	<u>4,368,740</u>
<b>Liabilities:</b>						
Other liabilities	22,698	13,026	37,378	35,977	60,076	49,003
Long-term liabilities	<u>24,196</u>	<u>31,393</u>	<u>350,000</u>	<u>385,000</u>	<u>374,196</u>	<u>416,393</u>
Total liabilities	<u>46,894</u>	<u>44,419</u>	<u>387,378</u>	<u>420,977</u>	<u>434,272</u>	<u>465,396</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	1,218,589	1,203,643	1,313,994	1,386,294	2,532,583	2,589,937
Restricted	58,958	51,890	-	-	58,958	51,890
Unrestricted	<u>543,590</u>	<u>493,503</u>	<u>744,109</u>	<u>768,014</u>	<u>1,287,699</u>	<u>1,261,517</u>
Total net assets	<u>\$ 1,821,137</u>	<u>\$ 1,749,036</u>	<u>\$ 2,058,103</u>	<u>\$ 2,154,308</u>	<u>\$ 3,879,240</u>	<u>\$ 3,903,344</u>

# VILLAGE OF ST. CHARLES

## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

### Government-Wide Financial Analysis, continued:

The following table shows, in a condensed format, the changes in net assets for 2008 and 2007:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 158,967	\$ 166,197	\$ 484,833	\$ 492,185	\$ 643,800	\$ 658,382
Operating grants	191,539	200,284	-	-	191,539	200,284
Capital grants	45,700	-	-	-	45,700	-
General revenues						
Property taxes	454,941	436,360	-	-	454,941	436,360
Franchise fees	9,145	9,251	-	-	9,145	9,251
State revenue sharing	220,306	223,067	-	-	220,306	223,067
Investment earnings	15,208	18,904	24,072	26,714	39,280	45,618
Miscellaneous	5,459	4,937	-	-	5,459	4,937
Total revenues	<u>1,101,265</u>	<u>1,059,000</u>	<u>508,905</u>	<u>518,899</u>	<u>1,610,170</u>	<u>1,577,899</u>
<b>Expenses:</b>						
General government	198,647	212,308	-	-	198,647	212,308
Public safety	309,019	343,602	-	-	309,019	343,602
Public works	417,047	397,817	-	-	417,047	397,817
Health and welfare	2,908	4,260	-	-	2,908	4,260
Community and economic development	3,232	7,337	-	-	3,232	7,337
Recreation and culture	100,726	109,468	-	-	100,726	109,468
Interest on long-term debt	-	-	-	-	-	-
Sewer	-	-	173,437	195,864	173,437	195,864
Water	-	-	431,673	329,880	431,673	329,880
Total expenses	<u>1,031,579</u>	<u>1,074,792</u>	<u>605,110</u>	<u>525,744</u>	<u>1,636,689</u>	<u>1,600,536</u>
Excess of revenues over expenses						
before other items	<u>69,686</u>	<u>(15,792)</u>	<u>(96,205)</u>	<u>(6,845)</u>	<u>(26,519)</u>	<u>(22,637)</u>
<b>Other items:</b>						
Gain on sale of assets	<u>2,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,415</u>	<u>-</u>
Total other items	<u>2,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,415</u>	<u>-</u>
<b>Change in net assets</b>	<u>72,101</u>	<u>(15,792)</u>	<u>(96,205)</u>	<u>(6,845)</u>	<u>(24,104)</u>	<u>(22,637)</u>
Net assets, beginning of year	<u>1,749,036</u>	<u>1,764,828</u>	<u>2,154,308</u>	<u>2,161,153</u>	<u>3,903,344</u>	<u>3,925,981</u>
Net assets, end of year	<u>\$ 1,821,137</u>	<u>\$ 1,749,036</u>	<u>\$ 2,058,103</u>	<u>\$ 2,154,308</u>	<u>\$ 3,879,240</u>	<u>\$ 3,903,344</u>



# **VILLAGE OF ST. CHARLES**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

March 31, 2008

### **The Village's Funds:**

The fund financial statements begin on page 10 and provide detailed information on the most significant governmental funds – not the Village as a whole. The Village Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The Village's major governmental funds for 2008 include the General Fund, Major Street Fund, and Grant Revolving Loan Fund.

Other major funds are the Sewer Fund and Water Fund, which are categorized as Enterprise or business-type funds. These funds operate on revenues they received from the customers (users) of the sewer and water systems.

### **General Fund Budgetary Highlights:**

Over the course of the year, the Village amended the budget to take into account various expenditures or revenue changes. These amendments were relatively minor.

### **Capital Assets and Debt Administration:**

During the 2007-2008 fiscal year, the Village invested approximately \$108,000 in governmental capital assets, which included park land and other equipment. The Village's investment in business-type capital assets was minor.

During the 2007-2008 fiscal year, the Village incurred no additions to its long-term debt. The Village and its component units reduced long-term liabilities by approximately \$66,000 during the year.

### **Economic Factors:**

The Village continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the Village is facing in upcoming years. The major sources of revenue for the Village are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the Village's control – taxable value of property in the Village has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the Village in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation, such as health insurance, utility costs, and gasoline expenses.

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the Village's residents with the same level of service to which they have become accustomed.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Village Manager, 110 West Spruce, St. Charles, Michigan, 48655.

## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF ST. CHARLES

## STATEMENT OF NET ASSETS

March 31, 2008

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-type</i>		<i>Units</i>
	<i>Activities</i>	<i>Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 410,035	\$ 593,863	\$ 1,003,898	\$ 169,664
Receivables	134,887	86,034	220,921	8,255
Inventory	-	25,672	25,672	-
Prepaid expenses	18,152	3,410	21,562	-
Advance receivable/payable	86,368	-	86,368	(86,368)
Capital assets:				
Nondepreciable capital assets	158,831	34,302	193,133	-
Depreciable capital assets, net	1,059,758	1,629,692	2,689,450	154,703
Investment in joint venture	-	72,508	72,508	-
Total assets	<u>1,868,031</u>	<u>2,445,481</u>	<u>4,313,512</u>	<u>246,254</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	22,698	37,378	60,076	3,030
Long-term liabilities:				
Due within one year	-	35,000	35,000	36,849
Due in more than one year	<u>24,196</u>	<u>315,000</u>	<u>339,196</u>	<u>153,309</u>
Total liabilities	<u>46,894</u>	<u>387,378</u>	<u>434,272</u>	<u>193,188</u>
<b>Net assets (deficit):</b>				
Invested in capital assets, net of related debt	1,218,589	1,313,994	2,532,583	(35,455)
Restricted for:				
Streets	58,958	-	58,958	-
Unrestricted	<u>543,590</u>	<u>744,109</u>	<u>1,287,699</u>	<u>88,521</u>
Total net assets	<u>\$ 1,821,137</u>	<u>\$ 2,058,103</u>	<u>\$ 3,879,240</u>	<u>\$ 53,066</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ST. CHARLES

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## STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 198,647	\$ 68,649	\$ 12,800	\$ -	\$ (117,198)
Public safety	309,019	5,195	8,761	-	(295,063)
Public works	417,047	79,265	169,978	-	(167,804)
Health and welfare	2,908	-	-	-	(2,908)
Community and economic development	3,232	50	-	-	(3,182)
Recreation and culture	100,726	5,808	-	45,700	(49,218)
Total governmental activities	1,031,579	158,967	191,539	45,700	(635,373)
<i>Business-type activities:</i>					
Sewer	\$ 173,437	\$ 157,655	\$ -	\$ -	\$ (15,782)
Water	431,673	327,178	-	-	(104,495)
Total business-type activities	605,110	484,833	-	-	(120,277)
Total primary government	\$ 1,636,689	\$ 643,800	\$ 191,539	\$ 45,700	\$ (755,650)
<b>COMPONENT UNITS:</b>					
Downtown development authority	\$ 54,835	\$ 25,755	\$ -	\$ -	\$ (29,080)
Local development finance authority	31,360	9,718	-	-	(21,642)
Total component units	\$ 86,195	\$ 35,473	\$ -	\$ -	\$ (50,722)

*The accompanying notes are an integral part of these financial statements.*

	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Units</i>
		<i>Activities</i>		
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (635,373)	\$ (120,277)	\$ (755,650)	\$ (50,722)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	454,941	-	454,941	-
Property taxes, captured by DDA and LDFA	-	-	-	110,427
Franchise fees	9,145	-	9,145	-
Grants and contributions not restricted to specific programs	220,306	-	220,306	-
Unrestricted investment earnings	15,208	24,072	39,280	6,977
Miscellaneous	5,459	-	5,459	-
Special item - Gain on sale of capital asset	2,415	-	2,415	-
Total general revenues	<u>707,474</u>	<u>24,072</u>	<u>731,546</u>	<u>117,404</u>
Change in net assets	72,101	(96,205)	(24,104)	66,682
Net assets (deficit), beginning of year	<u>1,749,036</u>	<u>2,154,308</u>	<u>3,903,344</u>	<u>(13,616)</u>
Net assets, end of year	<u>\$ 1,821,137</u>	<u>\$ 2,058,103</u>	<u>\$ 3,879,240</u>	<u>\$ 53,066</u>

# VILLAGE OF ST. CHARLES

## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2008

	<i>Major Governmental Funds</i>			<i>Nonmajor Governmental Fund</i>	
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Grant Revolving Loan Fund</i>	<i>Local Street Fund</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 134,946	\$ 14,788	\$ 155,021	\$ 14,020	\$ 318,775
Taxes receivable	49,035	-	-	-	49,035
Accounts receivable	20,029	-	-	-	20,029
Notes receivable	3,356	-	-	-	3,356
Due from other					
governmental units	33,811	20,664	-	7,992	62,467
Prepaid expenditures	16,088	1,032	-	1,032	18,152
Advance receivable from component unit	-	-	86,368	-	86,368
Total assets	<u>\$ 257,265</u>	<u>\$ 36,484</u>	<u>\$ 241,389</u>	<u>\$ 23,044</u>	<u>\$ 558,182</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 11,379	\$ -	\$ -	\$ -	\$ 11,379
Accrued expenses	10,221	288	-	282	10,791
Deferred revenue	3,356	-	-	-	3,356
Total liabilities	<u>24,956</u>	<u>288</u>	<u>-</u>	<u>282</u>	<u>25,526</u>
<b>Fund balances:</b>					
Reserved for:					
Prepaid expenditures	16,088	1,032	-	1,032	18,152
Long-term advance	-	-	86,368	-	86,368
Unreserved:					
General fund	216,221	-	-	-	216,221
Special revenue funds	-	35,164	155,021	21,730	211,915
Total fund balances	<u>232,309</u>	<u>36,196</u>	<u>241,389</u>	<u>22,762</u>	<u>532,656</u>
Total liabilities and fund balances	<u>\$ 257,265</u>	<u>\$ 36,484</u>	<u>\$ 241,389</u>	<u>\$ 23,044</u>	<u>\$ 558,182</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ST. CHARLES

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2008

**Total fund balances for governmental funds** \$ 532,656

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	1,742,671	
Less accumulated depreciation	<u>(645,979)</u>	1,096,692

Deferred revenues reported in the governmental funds are recognized as  
revenues for the governmental activities.

Special assessments	3,356
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Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Compensated absences payable	(24,196)
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The assets and liabilities of internal service funds are included in governmental  
activities in the statement of net assets.

212,629
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**Net assets of governmental activities**

<u>\$ 1,821,137</u>
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*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF ST. CHARLES

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<i>Major Governmental Funds</i>			<i>Nonmajor Governmental Fund</i>	
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Grant Revolving Loan Fund</i>	<i>Local Street Fund</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>					
Property taxes	\$ 454,941	\$ -	\$ -	\$ -	\$ 454,941
Licenses and permits	14,340	-	-	-	14,340
State grants	275,853	117,139	-	45,294	438,286
Contributions from other units	27,400	-	-	-	27,400
Charges for services	99,217	-	-	-	99,217
Fines and forfeits	6,459	-	-	-	6,459
Interest and rents	47,876	809	3,931	65	52,681
Other revenue	23,874	-	-	-	23,874
Total revenues	<u>949,960</u>	<u>117,948</u>	<u>3,931</u>	<u>45,359</u>	<u>1,117,198</u>
<b>Expenditures:</b>					
Current					
General government	162,670	-	-	-	162,670
Public safety	298,149	-	-	-	298,149
Public works	169,733	102,808	-	75,734	348,275
Health and welfare	2,908	-	-	-	2,908
Community and economic development	2,032	-	1,200	-	3,232
Recreation and culture	87,010	-	-	-	87,010
Other	14,000	-	-	-	14,000
Capital outlay	<u>120,662</u>	<u>51,315</u>	<u>-</u>	<u>5,094</u>	<u>177,071</u>
Total expenditures	<u>857,164</u>	<u>154,123</u>	<u>1,200</u>	<u>80,828</u>	<u>1,093,315</u>
Excess (deficiency) of revenues over expenditures	<u>92,796</u>	<u>(36,175)</u>	<u>2,731</u>	<u>(35,469)</u>	<u>23,883</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	-	54,403	-	44,309	98,712
Transfers to other funds	<u>(78,712)</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(98,712)</u>
Total other financing sources (uses)	<u>(78,712)</u>	<u>34,403</u>	<u>-</u>	<u>44,309</u>	<u>-</u>
Net change in fund balances	14,084	(1,772)	2,731	8,840	23,883
Fund balances, beginning of year	<u>218,225</u>	<u>37,968</u>	<u>238,658</u>	<u>13,922</u>	<u>508,773</u>
Fund balances, end of year	<u>\$ 232,309</u>	<u>\$ 36,196</u>	<u>\$ 241,389</u>	<u>\$ 22,762</u>	<u>\$ 532,656</u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF ST. CHARLES

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

**Net change in fund balances - total governmental funds** \$ 23,883

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	108,674	
Less depreciation expense	(53,546)	
Less loss on disposal of asset	<u>(3,214)</u>	51,914

Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue.

Special assessments	(615)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	7,197
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The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>(10,278)</u>
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**Change in net assets of governmental activities** \$ 72,101

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF ST. CHARLES

## PROPRIETARY FUNDS

### STATEMENT OF NET ASSETS

March 31, 2008

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
			<i>Total</i>	<i>Internal</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Enterprise Funds</i>	<i>Service Fund</i>
				<i>Equipment Fund</i>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 347,142	\$ 246,721	\$ 593,863	\$ 91,260
Accounts receivable	27,774	52,758	80,532	-
Special assessments receivable	2,988	2,514	5,502	-
Inventory	4,019	21,653	25,672	-
Prepaid expenses	1,705	1,705	3,410	-
Total current assets	383,628	325,351	708,979	91,260
<b>Noncurrent assets:</b>				
Capital assets:				
Nondepreciable capital assets	25,253	9,049	34,302	-
Depreciable capital assets, net	633,986	995,706	1,629,692	121,897
Investment in joint venture	-	72,508	72,508	-
Total noncurrent assets	659,239	1,077,263	1,736,502	121,897
Total assets	1,042,867	1,402,614	2,445,481	213,157
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	-	8,881	8,881	-
Accrued expenses	1,083	1,246	2,329	528
Deposits payable	-	19,600	19,600	-
Accrued interest payable	-	6,568	6,568	-
Current portion of long-term debt	-	35,000	35,000	-
Total current liabilities	1,083	71,295	72,378	528
<b>Noncurrent liabilities:</b>				
Long-term debt	-	315,000	315,000	-
Total noncurrent liabilities	-	315,000	315,000	-
Total liabilities	1,083	386,295	387,378	528
<b>Net assets:</b>				
Invested in capital assets, net of related debt	659,239	654,755	1,313,994	121,897
Unrestricted	382,545	361,564	744,109	90,732
Total net assets	\$ 1,041,784	\$ 1,016,319	\$ 2,058,103	\$ 212,629

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ST. CHARLES

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2008

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund Equipment Fund</i>
<b>Operating revenues:</b>				
Charges for services	\$ 154,734	\$ 306,460	\$ 461,194	\$ -
Penalties	2,921	5,298	8,219	-
Hydrant rental	-	15,400	15,400	-
Equipment rental	-	-	-	118,611
Other	-	20	20	-
Total operating revenues	157,655	327,178	484,833	118,611
<b>Operating expenses:</b>				
Personnel	49,591	60,903	110,494	28,960
Fringe benefits	22,084	24,229	46,313	5,623
Supplies	1,708	1,671	3,379	21,030
Contracted services	4,052	14,561	18,613	350
Purchase of water	-	102,026	102,026	-
Telephone	570	1,816	2,386	-
Dues, licenses and permits	-	1,512	1,512	-
Education and training	246	365	611	-
Insurance	3,310	3,718	7,028	6,375
Utilities	12,476	857	13,333	-
Repairs and maintenance	1,259	112,294	113,553	6,608
Equipment rental	9,568	24,902	34,470	25,000
Other services and supplies	507	2,452	2,959	323
Depreciation	68,066	60,036	128,102	38,061
Total operating expenses	173,437	411,342	584,779	132,330
Operating income (loss)	(15,782)	(84,164)	(99,946)	(13,719)
<b>Non-operating revenues (expenses):</b>				
Interest income	12,919	11,153	24,072	2,812
Gain on sale of capital assets	-	-	-	629
Interest expense	-	(20,331)	(20,331)	-
Total non-operating revenues (expenses)	12,919	(9,178)	3,741	3,441
Net income (loss)	(2,863)	(93,342)	(96,205)	(10,278)
Net assets, beginning of year	1,044,647	1,109,661	2,154,308	222,907
Net assets, end of year	\$ 1,041,784	\$ 1,016,319	\$ 2,058,103	\$ 212,629

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ST. CHARLES

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

Year Ended March 31, 2008

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
			<u>Total</u>	<u>Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Enterprise Funds</u>	<u>Equipment Fund</u>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 158,951	\$ 310,949	\$ 469,900	\$ -
Cash received from interfund services	-	15,400	15,400	118,611
Cash payments to employees	(49,591)	(60,903)	(110,494)	(28,960)
Cash payments to suppliers for goods and services	(56,153)	(289,399)	(345,552)	(65,113)
Net cash provided by operating activities	<u>53,207</u>	<u>(23,953)</u>	<u>29,254</u>	<u>24,538</u>
<b>Cash flows from capital and related financing activities:</b>				
Gain on sale of capital assets	-	-	-	629
Acquisition and construction of capital assets	(10,142)	(10,660)	(20,802)	(1,093)
Principal payments on capital debt	-	(35,000)	(35,000)	-
Interest paid on capital debt	-	(20,331)	(20,331)	-
Net cash used by capital and related financing activities	<u>(10,142)</u>	<u>(65,991)</u>	<u>(76,133)</u>	<u>(464)</u>
<b>Cash flows from investing activities:</b>				
Interest received	<u>12,919</u>	<u>11,153</u>	<u>24,072</u>	<u>2,812</u>
Net cash provided by investing activities	<u>12,919</u>	<u>11,153</u>	<u>24,072</u>	<u>2,812</u>
Net increase in cash and cash equivalents	55,984	(78,791)	(22,807)	26,886
Cash and cash equivalents, beginning of year	<u>291,158</u>	<u>325,512</u>	<u>616,670</u>	<u>64,374</u>
Cash and cash equivalents, end of year	<u>\$ 347,142</u>	<u>\$ 246,721</u>	<u>\$ 593,863</u>	<u>\$ 91,260</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (15,782)	\$ (84,164)	\$ (99,946)	\$ (13,719)
Adjustments:				
Depreciation	68,066	60,036	128,102	38,061
Change in assets and liabilities:				
Accounts receivable	699	(1,331)	(632)	-
Special assessments receivable	597	502	1,099	-
Prepaid expenses	(385)	(385)	(770)	-
Accounts payable	-	1,060	1,060	-
Accrued expenses	12	521	533	196
Deposits payable	-	462	462	-
Accrued interest payable	-	(654)	(654)	-
Net cash provided by operating activities	<u>\$ 53,207</u>	<u>\$ (23,953)</u>	<u>\$ 29,254</u>	<u>\$ 24,538</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ST. CHARLES

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*FIDUCIARY FUND*  
**STATEMENT OF NET ASSETS**  
March 31, 2008

	<i><u>Agency Fund</u></i>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,020
Total assets	<u>1,020</u>
<b>Liabilities:</b>	
Accrued expenses	<u>1,020</u>
Total liabilities	<u>1,020</u>
<b>Net Assets:</b>	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The Village of St. Charles was incorporated on October 26, 1869. The Village operates on a Council-Manager form of government and provides the following services to approximately 2,300 citizens as authorized by its charter: Public Safety (Police), highways and streets, sanitation, sewer and water, recreation and culture, public improvements, planning and zoning, and general administration.

The accounting policies of the Village of St. Charles conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

**Discretely Presented Component Units** - The component units' column in the government-wide financial statements includes the financial data of the Village's two component units. These units are reported in a separate column to emphasize that they are legally separate from the Village. The component units are described as follows:

***Downtown Development Authority*** - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The issuance of bonded debt and levying of taxes by the DDA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the DDA.

***Local Development Finance Authority*** - The members of the governing board of the Local Development Finance Authority (LDFA) are appointed by the Village Council. The issuance of bonded debt and levying of taxes by the LDFA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the LDFA.

**Joint Operations** - The Village is a member of an inter-governmental agreement to operate a joint water authority with Swan Creek Township and James Township. The Village appoints two members to the joint water authority's governing board. The operating and capital budgets are funded by equal contributions from each government. Each government's share of assets, liabilities, and fund equity is thirty-three and a third percent. Financial statements can be obtained by contacting P.O. Box 176, St. Charles, Michigan 48655-0176.

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.



# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The ***General Fund*** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to accounted for in another fund.

The ***Major Street Fund*** is used to account for the maintenance and construction of the Village's major street system.

The ***Grant Revolving Loan Fund*** is used to account for the boatworks grant.

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

The Village reports the following major enterprise funds:

The ***Sewer Fund*** is used to account for the revenues and expenses for the operation of a sewer system.

The ***Water Fund*** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Sewer and water systems	30-50 years
Equipment	5-10 years
Furniture	5-10 years
Infrastructure	50 years
Site improvements	20 years
Vehicles	5-7 years

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Compensated Absences** – Employees are paid for 100% of their vacation time at retirement but there is a limit on vacation carryover to 240 hours. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2007 taxable valuation of the Village totaled \$37,168,984 on which ad valorem taxes levied consisted of 12.8029 mills for the Village's operating purposes.

The delinquent real property taxes of the Village are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### **Budgetary Information:**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Village did not incur expenditures that were in excess of the amounts budgeted.

#### **State Construction Code Act:**

The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2007	\$ -
Current year building permit revenue	5,195
Related expenses:	
Direct costs	<u>(11,867)</u>
Cumulative surplus at March 31, 2008	<u>\$ -</u>

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits and investments are subject to risk, which is examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$1,184,330 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$916,687 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Village had no investments at March 31, 2008.

# VILLAGE OF ST. CHARLES

## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

### NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<i><u>April 1, 2007</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>March 31, 2008</u></i>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 67,370	\$ 91,461	\$ -	\$ 158,831
Depreciable capital assets:				
Buildings and improvements	1,100,118	-	-	1,100,118
Equipment	475,600	16,354	(950)	491,004
Infrastructure	228,501	-	-	228,501
Site improvements	34,124	1,952	-	36,076
Vehicles	333,664	-	(31,522)	302,142
Total depreciable capital assets	2,172,007	18,306	(32,472)	2,157,841
Accumulated depreciation	(1,035,734)	(91,607)	29,258	(1,098,083)
Depreciable capital assets, net	1,136,273	(73,301)	(3,214)	1,059,758
Governmental activities, capital assets, net	<u>\$ 1,203,643</u>	<u>\$ 18,160</u>	<u>\$ (3,214)</u>	<u>\$ 1,218,589</u>
	<i><u>April 1, 2007</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>March 31, 2008</u></i>
<b>Business-type activities:</b>				
Nondepreciable capital assets:				
Land	\$ 34,302	\$ -	\$ -	\$ 34,302
Depreciable capital assets				
Equipment	141,792	17,842	(4,740)	154,894
Land improvements	7,185	-	-	7,185
Sewer system	2,560,856	-	-	2,560,856
Water system	1,937,152	2,960	-	1,940,112
Water tower	326,635	-	-	326,635
Total depreciable capital assets	4,973,620	20,802	(4,740)	4,989,682
Accumulated depreciation	(3,236,628)	(128,102)	4,740	(3,359,990)
Depreciable capital assets, net	1,736,992	(107,300)	-	1,629,692
Business-type activities, capital assets, net	<u>\$ 1,771,294</u>	<u>\$ (107,300)</u>	<u>\$ -</u>	<u>\$ 1,663,994</u>

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>
<b>Component units:</b>				
Depreciable capital assets:				
Buildings and improvements	\$ 184,356	\$ -	\$ -	\$ 184,356
Site improvements	<u>27,908</u>	<u>-</u>	<u>-</u>	<u>27,908</u>
Total depreciable capital assets	212,264	-	-	212,264
Accumulated depreciation	<u>(51,809)</u>	<u>(5,752)</u>	<u>-</u>	<u>(57,561)</u>
Component units, capital assets, net	<u>\$ 160,455</u>	<u>\$ (5,752)</u>	<u>\$ -</u>	<u>\$ 154,703</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 20,881
Public safety	11,673
Public works	50,898
Recreation and culture	<u>8,155</u>
Total governmental activities	<u>\$ 91,607</u>

<b>Business-type activities:</b>	
Sewer	\$ 68,066
Water	<u>60,036</u>
Total business-type activities	<u>\$ 128,102</u>

<b>Component units:</b>	
Downtown Development Authority	<u>\$ 5,752</u>
Total component units	<u>\$ 5,752</u>

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## NOTE 5: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

<b>Primary Government:</b>	<u>Unavailable</u>
Loans	<u>\$ 3,356</u>

# VILLAGE OF ST. CHARLES

## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

### NOTE 6: LONG-TERM LIABILITIES

The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

Long-term liabilities at March 31, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b>Business-type Activities:</b>					
<b>General Obligation Bonds:</b>					
1998 Issue - Water System	7	5.6-5.7%	\$35,000	\$665,000	\$ 350,000
<b>Component Units:</b>					
<b>General Obligation Bonds:</b>					
1999 Issue - Limited Tax Bonds	8/1/07-8/1/14	4.8-5.5%	\$20,000-25,000	\$325,000	\$ 175,000
<b>Contracts Payable:</b>					
1994 Contract	3/31/07-3/31/10	4.0%	\$3,309-11,849	\$138,000	\$ 15,158

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated Absences	\$ 31,393	\$ -	\$ (7,197)	\$ 24,196	\$ -
Total governmental activities					
- long-term liabilities	<u>\$ 31,393</u>	<u>\$ -</u>	<u>\$ (7,197)</u>	<u>\$ 24,196</u>	<u>\$ -</u>
<b>Business-type activities:</b>					
<b>General Obligation Bonds:</b>					
1998 Issue	\$ 385,000	\$ -	\$ (35,000)	\$ 350,000	\$ 35,000
Total business-type activities					
- long-term liabilities	<u>\$ 385,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 350,000</u>	<u>\$ 35,000</u>
<b>Component units:</b>					
<b>Bonds and Contracts:</b>					
1999 Issue	\$ 195,000	\$ -	\$ (20,000)	\$ 175,000	\$ 25,000
1994 Contract	26,752	-	(11,594)	15,158	11,849
Total component units					
- long-term liabilities	<u>\$ 221,752</u>	<u>\$ -</u>	<u>\$ (31,594)</u>	<u>\$ 190,158</u>	<u>\$ 36,849</u>



# VILLAGE OF ST. CHARLES

## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<i>Year Ended March 31,</i>	<i>Business-type Activities</i>			<i>Component Units</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 35,000	\$ 18,725	\$ 53,725	\$ 36,849	\$ 9,053	\$ 45,902
2010	35,000	16,765	51,765	28,309	7,400	35,709
2011	35,000	14,805	49,805	25,000	6,069	31,069
2012	35,000	12,845	47,845	25,000	4,749	29,749
2013	35,000	10,885	45,885	25,000	3,413	28,413
2014-2018	175,000	24,850	199,850	50,000	2,745	52,745
	<u>\$ 350,000</u>	<u>\$ 98,875</u>	<u>\$ 448,875</u>	<u>\$ 190,158</u>	<u>\$ 33,429</u>	<u>\$ 223,587</u>

## NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Units</i>
<b>Receivables:</b>			
Property taxes	\$ 49,035	\$ -	\$ 8,255
Accounts	20,029	80,532	-
Special assessments	-	5,502	-
Notes	3,356	-	-
Intergovernmental	62,467	-	-
Total receivables	<u>\$ 134,887</u>	<u>\$ 86,034</u>	<u>\$ 8,255</u>
<b>Accounts payable and accrued expenses:</b>			
Accounts	\$ 11,379	\$ 8,881	\$ -
Payroll and related liabilities	11,319	2,329	50
Deposits	-	19,600	1,418
Accrued interest	-	6,568	1,562
Total accounts payable and accrued expenses	<u>\$ 22,698</u>	<u>\$ 37,378</u>	<u>\$ 3,030</u>

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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### NOTE 8: INTERFUND BALANCES AND TRANSFERS

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There were no interfund receivable and payable balances at March 31, 2008.

Interfund transfers reported in the fund statements were as follows:

<u><i>Funds Transferred From</i></u>	<u><i>Funds Transferred To</i></u>	<u><i>Amount</i></u>
General Fund	Major Street Fund	\$ 54,403
General Fund	Local Street Fund	24,309
Major Street Fund	Local Street Fund	<u>20,000</u>
	Total	<u>\$ 98,712</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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### NOTE 9: ADVANCE TO/FROM COMPONENT UNIT

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<u><i>Advance From</i></u>	<u><i>Advance To</i></u>	<u><i>Amount</i></u>
Grant Revolving Loan Fund	Component Unit - LDFA	<u>\$ 86,368</u>

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### NOTE 10: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has been a member of the Michigan Municipal League sponsored self insurance/public entity risk pools for several years. The Village pays annual premiums to the respective pools for general liability, auto, and workers compensation insurance coverage. The agreements for the formation of the Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. The Michigan Municipal General and Auto Liability Fund provides coverage of claims up to \$2 million per occurrence with reinsurance provided to cover amounts in excess of this limit. The Michigan Municipal Workers Compensation Fund provides coverage of claims up to \$500,000 per occurrence with reinsurance provided to cover amounts in excess of this limit.

The Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund have published their own financial reports which can be obtained by contacting the management of each pool.

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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### NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):**

**Plan Description** – The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

**Funding Policy** – The obligation to contribute to and maintain the system for these employees was established by negotiations with the Village Council and personnel policy and requires the Village to contribute at actuarially determined rates; the rates for fiscal year ended March 31, 2008 range from 16.06 to 39.96 percent of eligible payroll based on December 31, 2004 valuation.

**Annual Pension Costs** – For the fiscal year ended March 31, 2008, the Village's annual pension cost of \$83,476 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of March 31, follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual pension cost	\$ 83,476	\$ 104,447	\$ 86,693
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

#### **Deferred Compensation Plan:**

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

#### **Post Employment Benefits:**

The Village provides health insurance benefits to its retirees. This benefit provides for the cost of the retirees insurance only, and any additional coverage for family members is provided on a reimbursement basis. Currently, there is one retiree receiving this benefit at an annual cost of \$4,878.

The Village is using a pay-as-you-go method to finance this benefit.

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning April 1, 2009.

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### NOTE 12: FUND EQUITY

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Specific reservations on fund equity include:

**Reserved for prepaid expenditures** – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

**Reserved for long-term advance** – This reserve was created to indicate that portion of fund balance representing the advance receivable due from the component unit.

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### NOTE 13: COMPONENT UNITS REPORTING

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*Statement of Net Assets:*

	<i><u>Downtown Development Authority</u></i>	<i><u>Local Development Finance Authority</u></i>	<i><u>Total Component Units</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 67,640	\$ 102,024	\$ 169,664
Receivables	5,195	3,060	8,255
Advance receivable/payable	-	(86,368)	(86,368)
Capital assets:			
Depreciable capital assets, net	<u>154,703</u>	<u>-</u>	<u>154,703</u>
Total assets	<u>227,538</u>	<u>18,716</u>	<u>246,254</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	3,030	-	3,030
Long-term liabilities:			
Due within one year	36,849	-	36,849
Due in more than one year	<u>153,309</u>	<u>-</u>	<u>153,309</u>
Total liabilities	<u>193,188</u>	<u>-</u>	<u>193,188</u>
<b>Net assets (deficit):</b>			
Invested in capital assets, net of related debt	(35,455)	-	(35,455)
Unrestricted	<u>69,805</u>	<u>18,716</u>	<u>88,521</u>
Total net assets	<u>\$ 34,350</u>	<u>\$ 18,716</u>	<u>\$ 53,066</u>

# VILLAGE OF ST. CHARLES

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

### *Statement of Activities:*

	<i><u>Downtown Development Authority</u></i>	<i><u>Local Development Finance Authority</u></i>	<i><u>Total Component Units</u></i>
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 25,755	\$ 9,718	\$ 35,473
General revenues			
Property taxes	78,420	32,007	110,427
Investment earnings	<u>1,549</u>	<u>5,428</u>	<u>6,977</u>
Total revenues	<u>105,724</u>	<u>47,153</u>	<u>152,877</u>
<b>Expenses:</b>			
Community and economic development	<u>54,835</u>	<u>31,360</u>	<u>86,195</u>
Total expenses	<u>54,835</u>	<u>31,360</u>	<u>86,195</u>
Change in net assets	50,889	15,793	66,682
Net assets (deficit), beginning of year	<u>(16,539)</u>	<u>2,923</u>	<u>(13,616)</u>
Net assets, end of year	<u><u>\$ 34,350</u></u>	<u><u>\$ 18,716</u></u>	<u><u>\$ 53,066</u></u>

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF ST. CHARLES

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## SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Year Ended March 31, 2008

<i>Actuarial Valuation Date</i>	<i>12/31/06</i>	<i>12/31/05</i>	<i>12/31/04</i>
Actuarial Value of Assets	\$ 1,771,944	\$ 1,614,013	\$ 1,510,575
Actuarial Accrued Liability (AAL)	2,511,157	2,353,569	2,188,430
Unfunded AAL (UAAL)	739,213	739,556	677,855
Funded Ratio	71%	69%	69%
Covered Payroll	451,551	408,971	376,672
UAAL as a percentage of covered payroll	164%	181%	180%

# VILLAGE OF ST. CHARLES

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 448,525	\$ 448,525	\$ 454,941	\$ 6,416
Licenses and permits	14,400	14,400	14,340	(60)
State grants	270,888	270,888	275,853	4,965
Contributions from other units	27,400	27,400	27,400	-
Charges for services	101,795	101,795	99,217	(2,578)
Fines and forfeits	7,000	7,000	6,459	(541)
Interest and rents	58,780	58,780	47,876	(10,904)
Other revenue	20,800	20,800	23,874	3,074
Total revenues	949,588	949,588	949,960	372
<b>Expenditures:</b>				
Current				
General government	172,677	175,456	162,670	(12,786)
Public safety	354,150	338,002	298,149	(39,853)
Public works	189,970	180,197	169,733	(10,464)
Health and welfare	3,400	2,908	2,908	-
Community and economic development	3,234	4,732	2,032	(2,700)
Recreation and culture	83,646	87,483	87,010	(473)
Other	14,000	14,000	14,000	-
Capital outlay	144,827	136,706	120,662	(16,044)
Total expenditures	965,904	939,484	857,164	(82,320)
Excess (deficiency) of revenues over expenditures	(16,316)	10,104	92,796	82,692
<b>Other financing sources (uses):</b>				
Transfers to other funds	(78,712)	(78,712)	(78,712)	-
Total other financing sources (uses)	(78,712)	(78,712)	(78,712)	-
Net change in fund balance	(95,028)	(68,608)	14,084	82,692
Fund balance, beginning of year	218,225	218,225	218,225	-
Fund balance, end of year	\$ 123,197	\$ 149,617	\$ 232,309	\$ 82,692



# VILLAGE OF ST. CHARLES

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## SPECIAL REVENUE FUND – MAJOR STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
State grants	\$ 119,114	\$ 119,114	\$ 117,139	\$ (1,975)
Interest and rents	1,400	1,400	809	(591)
Total revenues	120,514	120,514	117,948	(2,566)
<b>Expenditures:</b>				
Current				
Public works	90,702	111,614	102,808	(8,806)
Capital outlay	70,327	70,327	51,315	(19,012)
Total expenditures	161,029	181,941	154,123	(27,818)
Excess (deficiency) of revenues over expenditures	(40,515)	(61,427)	(36,175)	25,252
<b>Other financing sources:</b>				
Transfers to other funds	(29,778)	(20,000)	(20,000)	-
Total other financing uses	40,515	50,293	34,403	(15,890)
Net change in fund balance	-	(11,134)	(1,772)	9,362
Fund balance, beginning of year	37,968	37,968	37,968	-
Fund balance, end of year	\$ 37,968	\$ 26,834	\$ 36,196	\$ 9,362

# VILLAGE OF ST. CHARLES

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## *SPECIAL REVENUE FUND – GRANT REVOLVING LOAN FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2008

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
Interest and rents	\$ 2,300	\$ 2,300	\$ 3,931	\$ 1,631
Other revenue	30,000	30,000	-	(30,000)
Total revenues	32,300	32,300	3,931	(28,369)
<b>Expenditures:</b>				
Current				
Community and economic development	1,200	1,200	1,200	-
Total expenditures	1,200	1,200	1,200	-
Net change in fund balance	31,100	31,100	2,731	(28,369)
Fund balance, beginning of year	238,658	238,658	238,658	-
Fund balance, end of year	<u>\$ 269,758</u>	<u>\$ 269,758</u>	<u>\$ 241,389</u>	<u>\$ (28,369)</u>

***OTHER SUPPLEMENTAL INFORMATION***

# VILLAGE OF ST. CHARLES

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

***Current Taxes:***

Property taxes	\$ 445,739
Administration fees	9,202
	<u>454,941</u>

***Licenses and permits:***

Nonbusiness licenses and permits	5,195
CATV franchise fees	9,145
	<u>14,340</u>

***State Grants:***

Liquor license fees	1,613
State revenue sharing - sales tax	220,306
Metro Act	7,545
Police	689
DNR - park	45,700
	<u>275,853</u>

***Contribution from other units:***

DDA and LDFA - administrative expense	<u>27,400</u>
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***Charges for services:***

Refuse collection fees	91,195
Recreation fees	4,873
Copies	249
Appeals/Site plan fees	50
Other	1,650
Charges to other funds	1,200
	<u>99,217</u>

***Fines and forfeits:***

Ordinance fines	<u>6,459</u>
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***Interest and rents:***

Interest	7,591
Building rental	38,000
Rents	2,285
	<u>47,876</u>

***Other Revenue:***

Sale of fixed assets	5,000
Contributions and donations	12,800
Other	6,074
	<u>23,874</u>

Total revenues	<u>\$ 949,960</u>
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# VILLAGE OF ST. CHARLES

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

**Expenditures:**

**General Government:**

*Council:*

Personnel	\$ 2,790
Supplies	18
Dues and memberships	1,533
Other	5,750
	<u>10,091</u>

*Office:*

Personnel	38,912
Fringe benefits	57,593
Supplies	6,686
Contracted services	1,542
Mileage	48
Dues and memberships	465
Conferences and workshops	100
Printing and publications	1,947
Repairs and maintenance	5,804
Other	1,623
	<u>114,720</u>

*Audit:*

Contracted services	<u>1,775</u>
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*Treasurer:*

Personnel	3,011
Fringe benefits	206
Supplies	2,081
Conferences and workshops	35
	<u>5,333</u>

*Building and Grounds:*

Personnel	3,071
Fringe benefits	230
Telephone	2,772
Insurance	1,833
Utilities	9,094
Repairs and maintenance	5,707
Other	341
	<u>23,048</u>

*Attorney:*

Contracted services	<u>4,700</u>
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*Community News:*

Printing and publications	<u>3,003</u>
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Total general government	<u>162,670</u>
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# VILLAGE OF ST. CHARLES

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

**Expenditures, continued:**

***Public Safety:***

*Police:*

Personnel	136,535
Fringe benefits	108,526
Supplies	10,318
Contracted services	12,668
Telephone	5,187
Dues and memberships	370
Conferences and workshops	2,153
Insurance	9,154
Repairs and maintenance	1,371
	<u>286,282</u>

*Building Inspection:*

Personnel	9,456
Fringe benefits	745
Mileage	1,642
Conferences and workshops	24
	<u>11,867</u>

Total public safety	<u>298,149</u>
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***Public Works:***

*Department of Public Works:*

Personnel	10,238
Fringe benefits	2,228
Supplies	342
Contracted services	4,400
Insurance	1,429
Utilities	10,559
Repairs and maintenance	345
Equipment rental	22,257
	<u>51,798</u>

*Street Lighting:*

Utilities	<u>31,010</u>
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*Refuse Collection:*

Contracted services	<u>86,925</u>
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Total public works	<u>169,733</u>
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***Health and Welfare:***

*Other:*

Other	<u>2,908</u>
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# VILLAGE OF ST. CHARLES

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

**Expenditures, continued:**

***Community and Economic Development:***

*Planning:*

Personnel	535
Contracted services	1,497
	<u>2,032</u>

***Recreation and Culture:***

*Parks and Recreation Department:*

Personnel	37,882
Fringe benefits	3,101
Supplies	5,338
Contracted services	2,220
Telephone	386
Insurance	556
Utilities	4,251
Repairs and maintenance	5,102
Equipment rental	27,234
Other	940
	<u>87,010</u>

***Other:***

Insurance and bonds	<u>14,000</u>
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***Capital Outlay:***

General government	11,502
Public safety	6,067
Public works	2,015
Recreation and culture	101,078
	<u>120,662</u>

Total expenditures	<u>857,164</u>
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**Other Financing Uses:**

Transfers to other funds	<u>78,712</u>
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Total expenditures and other financing uses	<u><u>\$ 935,876</u></u>
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# VILLAGE OF ST. CHARLES

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## COMPONENT UNITS COMBINING BALANCE SHEET

March 31, 2008

	<i><b>Downtown Development Authority</b></i>	<i><b>Local Development Finance Authority</b></i>	<i><b>Total Component Units</b></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 67,640	\$ 102,024	\$ 169,664
Taxes receivable	5,195	3,060	8,255
Total assets	<u>\$ 72,835</u>	<u>\$ 105,084</u>	<u>\$ 177,919</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accrued expenses	\$ 1,612	\$ -	\$ 1,612
Deposits payable	1,418	-	1,418
Advance payable to Grant Revolving Loan Fund	-	86,368	86,368
Total liabilities	<u>3,030</u>	<u>86,368</u>	<u>89,398</u>
<b>Fund balances:</b>			
Unreserved	<u>69,805</u>	<u>18,716</u>	<u>88,521</u>
Total fund balances	<u>69,805</u>	<u>18,716</u>	<u>88,521</u>
Total liabilities and fund balances	<u>\$ 72,835</u>	<u>\$ 105,084</u>	<u>\$ 177,919</u>

### RECONCILIATION OF FUND BALANCES TO NET ASSETS:

Total fund balances for component units \$ 88,521

Total net assets reported for the component units in the statement of  
of net assets is different because:

Capital assets used in the component units are not financial resources  
and therefore are not reported in the component units funds.

Governmental capital assets	212,264	
Less accumulated depreciation	<u>(57,561)</u>	154,703

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the component units funds.

Bonds and loans payable	<u>(190,158)</u>
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Net assets of component units \$ 53,066



# VILLAGE OF ST. CHARLES

## COMPONENT UNITS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<i><b>Downtown Development Authority</b></i>	<i><b>Local Development Finance Authority</b></i>	<i><b>Total Component Units</b></i>
<b>Revenues:</b>			
Property taxes	\$ 78,420	\$ 32,007	\$ 110,427
Interest and rents	27,304	15,146	42,450
Total revenues	<u>105,724</u>	<u>47,153</u>	<u>152,877</u>
<b>Expenditures:</b>			
Current			
Community and economic development	38,500	31,360	69,860
Debt service			
Principal	31,594	-	31,594
Interest and fees	<u>10,583</u>	<u>-</u>	<u>10,583</u>
Total expenditures	<u>80,677</u>	<u>31,360</u>	<u>112,037</u>
Net change in fund balances	25,047	15,793	40,840
Fund balances, beginning of year	<u>44,758</u>	<u>2,923</u>	<u>47,681</u>
Fund balances, end of year	<u><u>\$ 69,805</u></u>	<u><u>\$ 18,716</u></u>	<u><u>\$ 88,521</u></u>

#### RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET ASSETS:

Net change in fund balances - total component units \$ 40,840

Total change in net assets reported for the component units in the  
statement of activities is different because:

Component units funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is depreciated over their  
estimated useful lives and reported as depreciation expense.

Capital outlay	-	
Less depreciation expense	<u>(5,752)</u>	(5,752)

Repayments of principal on long-term obligations are expenditures in  
the funds but the payments reduce long-term liabilities in the statement  
of net assets.

Change in net assets of component units \$ 66,682

# VILLAGE OF ST. CHARLES

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## *FIDUCIARY FUND – AGENCY FUND*

### **STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

March 31, 2008

	<u><i>April 1, 2007</i></u>	<u><i>Additions</i></u>	<u><i>Deductions</i></u>	<u><i>March 31, 2008</i></u>
<u><i>Payroll Fund</i></u>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 1,000</u>	<u>\$ 484,200</u>	<u>\$ 484,180</u>	<u>\$ 1,020</u>
<b>Liabilities:</b>				
Accrued expenses	<u>\$ 1,000</u>	<u>\$ 484,200</u>	<u>\$ 484,180</u>	<u>\$ 1,020</u>

# VILLAGE OF ST. CHARLES

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

March 31, 2008

#### SAGINAW COUNTY WATER SYSTEM IMPROVEMENT CONTRACT

Issue dated June 18, 1997 in the amount of	\$	665,000
Less: Principal paid in prior years	(280,000)	
Principal paid in current year	<u>(35,000)</u>	
Balance payable at March 31, 2008	<u>\$</u>	<u>350,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due June 1</i>	<i>Interest due June 1</i>	<i>Interest due December 1</i>	<i>Total Annual Requirement</i>
2009	5.60%	\$ 35,000	\$ 9,853	\$ 8,872	\$ 53,725
2010	5.60%	35,000	8,873	7,892	51,765
2011	5.60%	35,000	7,893	6,912	49,805
2012	5.60%	35,000	6,913	5,932	47,845
2013	5.60%	35,000	5,933	4,952	45,885
2014	5.60%	35,000	4,953	3,972	43,925
2015	5.65%	35,000	3,973	2,983	41,956
2016	5.65%	35,000	2,984	1,994	39,978
2017	5.70%	35,000	1,995	997	37,992
2018	5.70%	<u>35,000</u>	<u>998</u>	<u>-</u>	<u>35,998</u>
		<u>\$ 350,000</u>	<u>\$ 54,368</u>	<u>\$ 44,506</u>	<u>\$ 448,874</u>

# VILLAGE OF ST. CHARLES

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## COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

### SCHEDULE OF INDEBTEDNESS

March 31, 2008

#### LAND CONTRACT PAYABLE

Issue dated August 27, 1993 in the amount of	\$	138,000
Less: Principal paid in prior years		(111,248)
Principal paid in current year		<u>(11,594)</u>
Balance payable at March 31, 2008	\$	<u>15,158</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i>	<i>Interest due</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2009	4.00%	\$ 11,849	\$ 391	\$ 12,240
2010	4.00%	<u>3,309</u>	<u>25</u>	<u>3,334</u>
		<u>\$ 15,158</u>	<u>\$ 416</u>	<u>\$ 15,574</u>

#### 1999 GENERAL OBLIGATION LIMITED TAX BONDS

Issue dated September 1, 1999 in the amount of	\$	325,000
Less: Principal paid in prior years		(130,000)
Principal paid in current year		<u>(20,000)</u>
Balance payable at March 31, 2008	\$	<u>175,000</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i> <i>August 1</i>	<i>Interest due</i> <i>August 1</i>	<i>Interest due</i> <i>February 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2009	5.05%	\$ 25,000	\$ 4,650	\$ 4,012	\$ 33,662
2010	5.10%	25,000	4,013	3,362	32,375
2011	5.20%	25,000	3,363	2,706	31,069
2012	5.25%	25,000	2,706	2,043	29,749
2013	5.30%	25,000	2,044	1,369	28,413
2014	5.40%	25,000	1,369	688	27,057
2015	5.50%	<u>25,000</u>	<u>688</u>	<u>-</u>	<u>25,688</u>
		<u>\$ 175,000</u>	<u>\$ 18,833</u>	<u>\$ 14,180</u>	<u>\$ 208,013</u>



## **REQUIRED COMMUNICATION TO THE VILLAGE OF ST. CHARLES IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Village Council  
Village of St. Charles

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of St. Charles for the year ended March 31, 2008, and have issued our report thereon dated May 21, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 21, 2005, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of St. Charles are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

**Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 21, 2008.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Internal Control Matters**

In planning and performing our audit of the financial statements of the Village of St. Charles as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of St. Charles' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

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This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants

Saginaw, Michigan  
May 21, 2008